



CENTRO STUDI LUCA D'AGLIANO

Report to the
Scientific Advisory
Board

2012

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1 Luca d'Agliano and the Centro Studi

Luca d'Agliano

Luca d'Agliano was born in Turin on July 4, 1961. At the end of the first year of classical high school at the Rosmini Institute in Turin, he decided to finish his secondary education under the provisions of the Sevenoaks International Baccalaureate Programme.

In September 1980, he went up to Churchill College, University of Cambridge, where he read philosophy and then economics under Margaret Bray and Frank Hahn. On taking his Bachelor of Arts degree in 1983, he was awarded a scholarship by the Fondazione Luigi Einaudi, Turin, and was admitted to St. Antony's College, University of Oxford. Here, under the guidance of Amartya Sen, he studied questions relating to developing countries and welfare economics, concentrating mainly on the analysis of collective agriculture systems and the conflict, typical of such systems, between the ethical value of collective production and the pragmatic need to give individuals the incentive to produce.

In Luca d'Agliano's vision: "...economics [is] to be continually carried over into practical applications. [...] For this substantially ideological reason, it becomes important to combine the [...] study of purely theoretical matters with the study of the problems afflicting the developing countries in their struggle against poverty [...]".

Luca d'Agliano lost his life in a road accident in June 1984.

Centro Studi Luca d'Agliano

Centro Studi Luca d'Agliano (LdA) was founded in Turin in 1986 and it is currently located at Fondazione Luigi Einaudi in Turin and at the Department of Economics of the University of Milan.

LdA is a non-profit research institution contributing original research in the field of international and development economics. LdA carries out its activities in collaboration with major international and Italian research institutions and it works through a network of researchers worldwide. Although LdA's main focus is academic research, it also contributes to the policy debate, working for institutions like the World Bank, the European Commission, the United Nations and the Italian Government.

LdA is especially keen in encouraging young scholars to undertake research in development and international economics. It supports Italian students in their post-graduate studies abroad by awarding scholarships, prizes and research grants. It also funds foreign post-doctoral fellows to carry out research at its premises.

LdA regularly organises conferences and seminars and it publishes one of the leading working paper series in development economics.

2 Research areas at Centro Studi Luca d'Agliano

Research at Centro Studi Luca d'Agliano is organised around three main areas: Poverty and Development, Migration, Firms and the International Market. Within each of these areas, LdA carries out a number of projects in cooperation with various research partners and funding institutions. Table 1 provides an outline of the research projects active in 2012 and the corresponding partners.

Table 1: Research areas, projects, research partners and funding institutions at LdA

POVERTY AND DEVELOPMENT		
COORDINATOR		
Mariapia Mendola		
PROJECTS		
The Formation of Migrants' Networks	Human Capital, Labour and Intra-household Allocation	Land Redistribution and Household Living Standards in Malawi
RESEARCH PARTNERS		
The World Bank; University of Milan Bicocca; CISEPS-Bicocca; University of Milan; Goethe University Frankfurt; Paris School of Economics (University of Paris 1 Panthéon-Sorbonne); Universidad del Rosario in Bogotá; ICRISAT-Kenya; Eduardo Mondlane University (Maputo) and the National Statistical Institute in Maputo.		
FUNDING INSTITUTIONS		
The World Bank; Compagnia di San Paolo; European University Institute; CISEPS-Bicocca; Institutional funding.		
MIGRATION		
COORDINATOR		
Giovanni Facchini		
PROJECTS		
Politics, Economics and Global Governance: the European Dimension (PEGGED)	Temporary Migration, Integration and the Role of Policies (TEMPO)	
RESEARCH PARTNERS		
University of California, Davis; University College London; Catholic University of Louvain; CEPR; Centre pour la Recherche Economique et ses Applications (CEPREMAP); Université Libre de Bruxelles; European University Institute; The Graduate Institute of International and Development Studies (IHEID); University of Amsterdam; University of Oxford; Malmö University; Institute for Employment Research (IAB); Swansea University; Vienna Institute for International Economic Studies; University of Vienna; Trinity College Dublin; University of Helsinki; Copenhagen Business School; Hamburg Institute of International Economics (HWWI); Tilburg University.		
FUNDING INSTITUTIONS		
The European Commission; the World Bank; NORFACE Consortium.		

FIRMS AND THE INTERNATIONAL MARKET

COORDINATORS

Giorgio Barba Navaretti, Gianmarco I.P. Ottaviano

PROJECTS

European Firms in a Global Economy: Internal Policies for External Competitiveness (EFIGE)	Impact of Networks, Globalisation and their Interaction with EU Strategies (INGINEUS)	Globalisation, Investment and Services Trade (GIST)	Competitiveness Research Network (CompNet)
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RESEARCH PARTNERS

University of Milan; Paris School of Economics; Institute for Applied Economic Research; ICE; Csil; University of Turin; Bruegel; CEPR; Hungarian Academy of Sciences; University of Nottingham; Stockholm University; The National Bank of Belgium; University of Oslo; Universidad Carlos III de Madrid; CEPII; Fondazione Eni Enrico Mattei; Centro de Desenvolvimento e Planejamento Regional; Graduate University of the Chinese Academy of Science; Copenhagen Business School; Institute for Baltic Studies; German Development Institute; Centre for Development Studies; International Institute of Information Technology; Norwegian Institute for Studies in Innovation, Research and Education; Human Sciences Research Council; University of Pretoria; University of Lund; University of Sussex; Organisation for Economic Co-operation and Development, Development Centre; Kepler University of Linz; WIIW Vienna; University College Dublin; Centre National de la Recherche Scientifique; University of Ljubljana; Fondation Nationale des Sciences Politiques.

FUNDING INSTITUTIONS

The European Commission; The Chamber of Commerce of Turin; the European Central Bank; the Bank of Italy.

2.1 Poverty and Development

2.1.1 Main findings

Within this area, LdA has been working on three main themes: i) the economics of migration networks; ii) human capital, labour and intra-household allocation of resources; iii) land redistribution and household well-being in Malawi.

In a recent project the LdA team has been studying the formation of migrants' networks in the host society, and their economic function. It is well recognised that social ties are particularly important to the migrant population, since newcomers often lack skills or knowledge specific to the receiving country. However, much of the empirical literature has relied on very indirect measures of immigrants' links since investigators typically observe neither the migrant's social contacts, nor whether individual economic outcomes are a consequence of the specific network in place. This project fills this gap and provides new empirical evidence on the formation of migrants' networks by using a purposely-designed survey on Sri Lankan immigrants living in Milan. By taking a dyadic perspective we investigate how migrants form the links through which they provide and get economic support to other fellow migrants, and how the formation of these links actually shapes interpersonal exchanges along three different dimensions (accommodation, credit, job finding).

In two earlier papers LdA fellows have worked on the role of migrants' networks in the sending community. By using another unique household survey collected by LdA fellows in two regions in Southern Mozambique, the authors investigated how emigration flows from a developing country are affected by xenophobic violence at destination. They focussed on the role of family and social networks in the sending community in shaping changes in the expressed intentions of Mozambicans to migrate, after a series of xenophobic attacks in South Africa killed and displaced hundreds of immigrants from neighbouring countries. After controlling for a placebo period, main findings illustrate that networks in the country of origin insure risks related to migration and that, when deciding to migrate, workers tend to care more about the future of their offspring than their own health. In a second research project on the economics of migration networks, the LdA team has investigated the endogenous nature of the link formation process among migrants in Mozambique. By using the same original household survey as above, they study how social networks among Mozambican households are affected when people migrate. They find that - despite the role of migration as a form of social protection - households with migrants do not withdraw from their community-based social networks. On the contrary, stable migration ties and higher income stability through remittances decrease participation constraints and increase household commitment in cooperative arrangements in migrant-sending communities.

In a second project, LdA researchers worked on the relationship between human capital, labour supply and intra-household allocations in developing countries. In a first paper, LdA fellows analysed the *short-run effects of parents' poor health conditions on child school enrolment* in a setting where formal social protection is weak or missing. They used household panel data from

Bosnia-Herzegovina and an individual fixed effects estimator to show that it is especially maternal health that makes a difference as far as child school enrolment is concerned. Results are robust to considering alternative indicators of parental health status such as the presence of limitations in daily activities and mental health indicators. This is not in line with the common wisdom that shocks to the primary household earner should bear more negative consequences for children education. The findings support the hypothesis that maternal non-financial support to children is a key input for their school achievement. This points to the importance of improving women's access to health care and social protection services in developing and transition countries in order to reduce the intergenerational cost of low investment in human capital.

In two related papers, the LdA team has studied how males, females, and children respond (differently) in the labour market to emigration shocks in households and countries of origin. The authors address this question by studying, first, the impact of male-dominated migration out from Albania on labour supply of men and women at home. Controlling for the potential endogeneity of migration, results illustrate that while left-behind women in Albania may take on the extra burden associated with the migration of male family members, they gain employment opportunities upon their return. In a second paper, LdA researchers study the labour market impact of emigration on child labour in countries of origin. According to the theory, significant labour force emigration leads to a tightening of the local labour supply, which induces both income and substitution effects working in opposite directions, i.e. reducing and increasing children's labour supply respectively. They use an original cross-country survey dataset, which combines information on international emigration flows with detailed individual-level data on child labour at age 5-15 in a wide range of developing countries and they exploit variation in the emigration supply shocks across labour market units defined on the basis of both geography and skills. The findings provide strong evidence that international out-migration may significantly reduce child labour in disadvantaged households through changes in the local labour market.

In a third core project, the LdA team has evaluated the *welfare impact of a land redistribution initiative* implemented by the Government of Malawi with financial support from the World Bank. The Community Based Rural Land Development Project (CBRLDP) was set up so as to provide conditional cash and land transfer to land-poor families to relocate, purchase, develop and cultivate (larger) plots of farm land. The CBRLDP has been retained as one of the most significant interventions ever implemented to address the highly unequal land ownership patterns in postcolonial Malawi. By using a household panel data and a quasi-experimental approach, the researchers find that the Malawi market-based land program significantly increased land holdings, agricultural output, and crop-specific land productivity of beneficiary households. Yet, beneficiaries do not see an improvement in access to social services such as schools and health facilities. There is also evidence of heterogeneous effects by gender and inheritance systems. The findings suggest that there is scope for reducing poverty and inequality in developing countries by implementing a decentralised, community-based, and market-assisted approach to land reform through the provision of land to the landless and land-poor households.

2.1.2 Projects

The Formation of Migrants' Networks

This is a research project funded by CISEPS-Bicocca and LdA, carried out in collaboration with researchers at University of Milano Bicocca and Paris School of Economics. The aim of the project is to investigate how migrants form (weak and strong) links among them in the host country, and the extent to which this network provides them economic support along three different dimensions (accommodation, credit, job finding). For this purpose the team designed and collected a tailored household survey on an ethnically-homogenous sample of male migrants originally from Sri Lanka and living in Milan. In particular, the researchers have collected information on all interpersonal links and episodes of economic supports among sampled individuals, along with socio-economic background, time of immigration and city of origin in the native country. Hence, the team examined the endogenous formation of interpersonal links from the dyadic perspective, as a function of proximity and incentive factors. This project contributes to the literature on both the economics of social networks and migration. As for the former, the migrant population constitutes an ideal setting where to study the factors determining the formation of new links, as immigrants are typically newcomers in a novel environment where the quality and quantity of information (about the local context and other individuals' characteristics) is particularly low, thereby affecting the economic value of interpersonal links. Moreover, the authors take for the first time, to our knowledge, in the literature on the economics of migration, a network-based dyadic approach to investigate how migrants form the links through which they provide and get economic support to other fellow migrants, and how the formation of these links actually shapes interpersonal exchanges. Such an analysis generates important insights regarding the opportunities of socio-economic integration of immigrants that are put forward by the formation of social networks.

Human Capital, Labour and Intra-household Allocation

This is an LdA project in collaboration with the University of Milan and the World Bank. LdA fellows provide both micro and macro evidence on the role of health and emigration shocks on human capital accumulation and labour supply of different household members, in particular females and children, in developing countries. In a first paper the LdA team explores the inter-generational (negative) effects of poor levels of adults' health on school enrolment of children in Bosnia and Herzegovina, a context where social services and formal mechanisms to smooth out negative shocks are not in place or subject to major reforms. LdA's findings point to the importance of the implementation of an adequate system of social protection in developing and transition countries, in particular focusing on women's access to health care and schooling as a potential device for reducing intergenerational costs of low levels of human capital. Moreover, in a second paper LdA fellows provide the first global assessment of the labour market effect of emigration supply shocks on child work in countries of origin. By using both cross-country and individual (child and adult) level data, they provide systematic evidence that there is a decline in child labour upon the increase of international migration, mainly driven by the positive association between labour market competition and income/wages.

Land Redistribution and Household Living Standards in Malawi

This is a research project in collaboration with Italtrend S.p.a (Italy), the Government of Malawi, and the World Bank. An independent impact evaluation of the Community Based Rural Land Development Project (CBRLDP) has been carried out with the aim of assessing the economic impact of the decentralised and community-based land reform carried out in six pilot districts in Malawi. The CBRLDP initiative aims at easing land pressure and improving access to needy rural communities through voluntary land acquisition and redistribution. Its final objective is to increase the incomes of about 15,000 poor rural families through a market-based provision of land to the landless and land-poor beneficiary groups from the six districts in southern Malawi. More specifically, the project was set up so as to provide conditional cash and land transfer to poor families to relocate, purchase, develop and cultivate (larger) plots of farm land. Land reform has been viewed by many development experts as an effective mean for reducing poverty since land enriches the asset base of poor households and carries with it the potential for agricultural production and entrepreneurship. Yet, while its implementation is hindered by political constraints, there is little empirical evidence on the actual impact of land redistribution on economic well-being. This project aims at filling this gap by assessing the economic effect of the CBRLDP on households living standards and productivity by using a quasi-experimental approach.

2.1.3 Research output

Margherita Comola and Mariapia Mendola: *The Formation of Migrants' Networks*, mimeo, 2012.

Guido Friebel, Juan M. Gallego, and Mariapia Mendola: *Xenophobic Attacks, Migration and Networks: Evidence from the South of Africa*, LdA Working Paper no. 321, October 2011, forthcoming, *Journal of Population Economics*;

Juan M. Gallego and Mariapia Mendola: *Labor Migration and Social Networks Participation in Southern Mozambique*, LdA Working Paper no. 279, Bicocca Working Paper no. 183 and INSIDE Discussion Paper no. 28, July 2011;

Giovanni Facchini, Anna Maria Mayda, and Mariapia Mendola: *What Drives Individual Attitudes towards Immigration in South Africa?*, LdA Working Paper no. 325, December 2011, forthcoming, *Review of International Economics*;

Massimiliano Bratti and Mariapia Mendola: *Parental health and child schooling*, IZA Discussion Paper no. 5870 and Bicocca Working Paper no. 212, 2011;

Mariapia Mendola and Gero Carletto: *International Migration and Gender Differences in the Home Labour Market: Evidence from Albania*, forthcoming, *Labour Economics*;

Anna De Paoli and Mariapia Mendola: *Does International Migration Increase Child Labor?*, Bicocca Working Paper no. 224 and LdA Working Paper no. 339, July 2012;

Mariapia Mendola and Franklin Simtowe: *The Welfare Impact of Land Redistribution: Evidence*

from a Quasi-Experimental Initiative in Malawi, Bicocca Working Paper no. 227, 2012;

Mariapia Mendola: *Rural Out-Migration and Economic Development at Origin. What Do We Know?*, *Journal of International Development*, 24 (1): 102-122, January 2012;

Giovanni Facchini, Anna Maria Mayda, and Mariapia Mendola: *South-South Migration and the Labor Market: Evidence from South Africa*, LdA Working Paper no. 331, March 2012.

2.1.4 Research team, research partners and funding institutions

Researchers working in the area are: Massimiliano Bratti, Gero Carletto, Margherita Comola, Anna De Paoli, Guido Friebel, Juan Miguel Gallego, Valeria Groppo, Simone Lombardini, Mariapia Mendola, Giovanna Prennushi, Franklin Simtowe and Raffaele Vacca.

Research partners in this area's projects include the World Bank, the University of Milan Bicocca, CISEPS-Bicocca, the University of Milan, Goethe University Frankfurt, Paris School of Economics (University of Paris 1 Panthéon-Sorbonne), the Universidad del Rosario in Bogotá, ICRISAT-Kenya, the Eduardo Mondlane University in Maputo and the National Statistical Institute in Maputo.

Research in the area has been funded by the World Bank, the Compagnia di San Paolo, the European University Institute, CISEPS-Bicocca and by institutional funding.

2.1.5 Work programme for 2013

LdA fellows will continue working on development economics issues, in particular in the following research lines:

- (i) Analysis of the linkages between parental absence (due to migration, illness, death), human capital accumulation and development.

The aim of this project is exploring the degree to which human capital is transferred across generation and the main constraints to human capital investment generating persistent forms of inter- and intra-household inequalities. In particular, the focus will be on the role of shortage of parental care or parental absence in affecting child schooling and labour in developing countries. In a current ongoing project, for example, Sonia Bhalotra, Massimiliano Bratti and Mariapia Mendola are studying in a comparative perspective the impact of parental health status and shocks on children's school achievements in a large set of low-income countries.

- (ii) Analysis of the linkages between land property rights and development in Africa.

Following up on the land project in Malawi, LdA fellows will continue studying the relationship between agricultural productivity and poverty in low-income countries. In particular, a new experimental project is likely to be set up in rural Mozambique in order to identify two possible mechanisms related to information and credit constraints, underlying the relationship between tenure security and land productivity.

2.2 Migration

2.2.1 Main findings

The study of the economics of international migration is one of the main focuses of LdA research activity. In particular, in the past two years, LdA fellows have been working on three themes: i) the political economy of immigration policy; ii) illegal immigration; iii) the link between international trade, outsourcing and international migration.

To understand how migration policies are shaped, LdA work has started by analysing individual *attitudes towards immigration* in the receiving countries, and how they are influenced by labour market competition and by the presence of a redistributive welfare state. The LdA team has found that both channels matter and that, on average, individuals expect the welfare state to adjust to growing immigration through changes in the level of fiscal pressure. LdA fellows have also looked at non-economic drivers of preferences, focusing in particular on the role played by the media in shaping perceptions towards illegal immigration.

Importantly, in a modern democracy, individual attitudes should be key drivers of actual policies. As a result, the next step has been to investigate *the link between attitudes towards immigration and the actual policies implemented*. Although we find that attitudes play an important role, i.e. countries where the population is more anti-immigration tend to implement more restrictive policies, our data suggest that attitudes alone cannot explain the size and composition of the actual immigration flows.

In a third project, LdA researchers have looked at the drivers of actual policy making, by investigating how economic and non economic characteristics of a constituency have affected the voting behaviour of US representatives on immigration legislation in the post 1965 period. They have found that labour market complementarities are a key driver in explaining support to bills aimed at increasing the inflow of foreign workers, highlighting the importance of economic factors in shaping actual policy making. In a fourth, related project, the LdA research group has compared the political economy of trade and immigration liberalisation in the United States. The evidence suggests that while there is a much broader consensus for trade liberalisation than for the liberalisation of migration, the same economic forces that shape a Congressman voting behaviour on trade shape also his/her voting behaviour on migration.

The LdA team has thus turned its attention to the *role played by pressure groups*. In particular, they find strong evidence supporting the view that lobbies exert a significant influence in the shaping of immigration policy in the United States. Interestingly, lobbies turn out to have an efficiency enhancing effect, i.e. broadly speaking they tend to make the actual policies closer to the efficiency enhancing outcome.

LdA fellows have also started to work on a series of papers focusing on illegal immigration. The first contribution has developed a theoretical model to understand the emergence of large numbers of illegal immigrants in destination countries. Interestingly, they have shown how illegal immigration is likely to be the result of political failure, whereby an elected government, unable

to admit its most preferred number of immigrants legally, resort to illegal immigration as a second best policy tool. The second paper looks instead at the desirability of legalisation programmes, both through the development of a theoretical analysis, as well as through an empirical assessment of the drivers of the introduction of a legalisation programme. The empirical evidence based on a sample of all major destination countries suggests that amnesties are more likely to be introduced the larger is the improvement in the labor market matching brought about by the change in status, and the smaller is the welfare state in the destination country.

LdA is also at the forefront of the research exploring the link between *migration, FDI and offshoring*. Several papers have shown that these flows are related both at the aggregate and at the micro level.

Of course, there are several factors affecting this link, both in developing and developed economies. One is *the endowment of human capital*: both migration and FDI flows are strictly intertwined to the brain drain issue. Research at LdA finds that, although foreign capital inflows enhance the incentive for investing in domestic human capital in less developed countries by creating job opportunities for skilled individuals, this virtuous circle could be undermined by the emigration of highly educated individuals.

However, skilled migrants are found to have a long term positive feedback effect on inward FDI and capital accumulation through *network externalities*, which are indeed mainly associated to the skilled diaspora.

The link between migration and offshoring can also be observed at the *firm level*, as both are channels to internationalise production. Research finds that there is a negative and significant correlation between the decision to transfer production abroad and hiring migrants. This choice appears to be driven by firms' heterogeneity, in that, other things equal, the most productive firms move their activities to foreign countries, whereas the least productive ones hire a larger share of foreign, mostly unskilled workers.

This finding raises important policy issues as measures affecting migration flows indirectly also concern the decision to offshore and *vice-versa*. There is therefore important scope for *coordinating migration and FDI policies* and this is especially obvious if we look at the international regulation of service provisions through the mobility of people or activities. Research finds that while intra-EU and external liberalisation processes are both slow and controversial in the services field, their parallel evolution suggests that progress towards efficient integration of markets and policies is possible if synergies between internal and external legal instruments are suitably exploited.

2.2.2 Projects

Politics, Economics and Global Governance: The European Dimension (PEGGED)

This is a large project coordinated by the Graduate Institute for International and Development Studies in Geneva funded under the EC-7th Framework Programme. LdA is involved in the project through the coordinator of the migration programme. The project tackles several important

dimensions of EU policy making, and two themes are of particular interest for LdA: trade and immigration.

Within this project LdA researchers have been involved in the writing of a volume, forthcoming at Oxford University Press, on “Brain Drain, Brain Gain”, edited by Boeri, Bruecker, Docquier and Rapoport, and in October 2011 they organised in Turin a conference on “Immigration: Economics and Politics” where Jagdish Bagwati (Columbia University) and Christian Dustmann (University College London) were invited as keynote speakers. The final conference of the project took place in April 2012 in Brussels.

Temporary Migration, Integration and the Role of Politics (TEMPO)

The second project is a NORFACE sponsored initiative coordinated by CEPR in London. LdA is involved in the project through the coordinator of the migration programme. This is a large collaborative project, whose goal is to extend the frontier of knowledge on temporary and return migration, analysing:

- its causes and consequences;
- the patterns of integration of economic and non-economic migrants, and how they relate to the time dimension of the migration decision;
- the information flows within immigrant networks and their effects on the migration decision, as well as on the foreign born prospects for integration;
- the process through which immigration policies are formed, and the welfare effects of immigration policies aimed at selecting migrants on the basis of their skills and/or length of allowed stay.

2.2.3 Research output

Giovanni Facchini and Max Steinhardt: *What Drives U.S. Immigration Policy? Evidence from Congressional Roll Call Votes*, LdA Working Paper no. 294, July 2010, *Journal of Public Economics* 95 (2011): 734-743;

Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra: *Do Interest Group Affect US Immigration Policy?*, LdA Working Paper no. 256, June 2008, *Journal of International Economics* 85 (2011): 114-128;

Giovanni Facchini and Anna Maria Mayda: *Individual Attitudes towards Skilled Migration: An Empirical Analysis across Countries*, (2011), *The World Economy* 35 (2012): 183-196;

Giovanni Facchini, Anna Maria Mayda and Riccardo Puglisi: *Individual Attitudes Towards Immigration: Economic vs. non-Economic Determinants* (2012), forthcoming in G.P. Freeman, R. Hansen and D.L. Leal (eds.): *“Immigration and Public Opinion in Liberal Democracies”*, Routledge;

Alessandra Casarico, Giovanni Facchini, and Tommaso Frattini: *What Drives Immigration Amnesties?*, 2012, mimeo;

Paola Conconi, Giovanni Facchini, Max Steinhardt and Maurizio Zanardi: *The Political Economy of Trade and Migration: Evidence from the US Congress*, 2012, mimeo;

Giovanni Facchini and Cecilia Testa: *The Rhetoric of Closed Borders: Quotas, Law Enforcement and Illegal Migration*, LdA Working Paper no. 303, November 2010, revised 2012;

George Deltas, Klaus Desmet, and Giovanni Facchini: *Hub and Spoke Free Trade Areas*, Canadian Journal of Economics 45 (2012): 942-977;

Paola Conconi, Giovanni Facchini and Maurizio Zanardi: *Fast Track Authority and International Trade Negotiations*, American Economic Journal: Economic Policy 4 (2012): 146-189.

2.2.4 Conferences and other events

The intense research activity carried out by the LdA migration team led to the organisation of the Eleventh Summer School in International and Development Economics and of several workshops on migration as part of the activities of the Research Seminar Series on “Global Challenges”, coordinated by the Centro Studi Luca d’Agliano and the Paolo Baffi Centre on Central Banking and Financial Regulations (Bocconi University).

Eleventh Summer School in International and Development Economics

The Eleventh Summer School in International and Development Economics on “Cities, Productivity and Migration” took place from June 27th to June 30th 2012 at the University of Milan, Palazzo Feltrinelli, Gargnano, Italy. It was organised by the Centro Studi Luca d’Agliano, the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University), the Centre for Economic Policy Research (CEPR), The Lombardy Advanced School of Economic Research (LASER), Vilfredo Pareto Doctoral Program in Economics of the University of Turin, and Enel Foundation.

Gianmarco Ottaviano (London School of Economics, Bocconi University, CEPR, and Centro Studi Luca d’Agliano) and Diego Puga (Madrid Institute for Advanced Studies (IMDEA) and CEPR) were this year’s lecturers. It focused on the role of cities as engines of productivity growth and human capital accumulation in the global economy and 29 students from all over the world attended the Summer school.

Workshops on Migration

The first workshop took place on January 26th 2012 at Bocconi University where the paper by Laura Casi (University of Milan and Bocconi University) on “Exposure to Foreign Cultural Goods and People’s Attitudes Towards Migration” and the paper by Elisabetta Lodigiani (University of Milan and Centro Studi Luca d’Agliano) on “Migration Induced-Transfer of Norms: the Case of Female Political Empowerment” were presented.

The second workshop took place on May 24th at the University of Milan. Two key-note speakers were invited: Assaf Razin (Cornell University, Tel Aviv University, NBER, CEPR, CES-Ifo, IZA) who presented the paper “Migration and the Welfare State: A Dynamic Political-Economy Theory”

and Marco Manacorda (Queen Mary University of London, CEP – London School of Economics, and CEPR) who presented the paper “Do Cash transfers improve birth outcomes? Evidence from Matched Vital Statistics, Social Security and Program Data”.

The last workshop on Migration was held on July 5th 2012 at Bocconi University and the LdA migration team presented three papers: “Estimating the Effect of Emigration from Poland on Polish Wages” by Tommaso Frattini (University of Milan and Centro Studi Luca d’Agliano); “Does International Migration Increase Child Labor?” by Mariapia Mendola (University of Milan Bicocca and Centro Studi Luca d’Agliano) and “Mobility of Migrants and Optimal Immigration Policy” by Joachim Jarreau (University Paris 1 Panthéon-Sorbonne).

2.2.5 Research team, research partners and funding institutions

Researchers who worked in the migration area in 2012 are Alessandra Casarico, Giovanni Facchini, Tommaso Frattini, Juan Miguel Gallego, Joachim Jarreau, Elisabetta Lodigiani, Anna Maria Mayda, Mariapia Mendola, Gianmarco Ottaviano, Giovanni Peri, Riccardo Puglisi, Alessandro Sembenelli, Cora Signorotto, Max Steinhardt and Cecilia Testa.

Research partners in the area include University of California, Davis; University College London; Catholic University of Louvain; CEPR; Centre pour la Recherche Economique et ses Applications (CEPREMAP); Université Libre de Bruxelles; European University Institute; The Graduate Institute of International and Development Studies (IHEID); University of Amsterdam; University of Oxford; Malmö University; Institute for Employment Research (IAB); Swansea University; Vienna Institute for International Economic Studies; University of Vienna; Trinity College Dublin; University of Helsinki; Copenhagen Business School; Hamburg Institute of International Economics (HWWI); Tilburg University.

Research in this area is funded by the European Commission, the World Bank and the NORFACE Consortium.

2.2.6 Work programme for 2013

LdA will continue to be actively engaged in migration research next year. The team has several ongoing projects, ranging from assessment of the labour market implications of international migration, to the role of migration on the international transfer of norms, to the determinants of immigration policy. In particular, *Tommaso Frattini* is working together with *Christian Dustmann* and *Anna Rosso* (both at University College, London) on a paper on the impact of emigration on wages in Poland, in a project that uses the Polish labour force survey to carry out a spatial correlation analysis. *Tommaso Frattini* and *Christian Dustmann* are also working on a paper on the labour market performance of immigrants in Europe, for a volume edited by David Card and Steve Raphael for the Russell Sage foundation. The focus of this study will be the process of integration of successive cohorts of immigrants in Europe, and will be based on the European Labor Force Survey. *Elisabetta Lodigiani* is studying the effect of immigration on the sending country institutions. In a paper with *Frederic Docquier* (UC Louvain), *Hillel Rapoport* (Bar Ilan

University) and *Maurice Schiff* (World Bank), she looks at the broad question of how immigration affects the quality of democratic and economic institutions in the source country. In a related paper, with *Sara Salomone* (UC Louvain), she investigates the effect of international migration on female political empowerment, measured as female parliamentary seats in the lower chamber, in migrants' origin countries. *Giovanni Facchini* and *Alessandra Casarico* have started to work on a theoretical model to explain the flow of skilled migrants among advanced countries. *Giovanni Facchini*, *Tim Hatton* and *Max Steinhardt* will be studying the political economy of the US 1965 Immigration Act, using a large dataset on policy makers characteristics. *Giovanni Facchini*, *Tommaso Frattini* and *Cora Signorotto* have started to work on an empirical project looking at the disciplining effect of media exposure on the voting behaviour of US Representatives on trade and migration liberalisation. Finally, *Giovanni Facchini*, *Tommaso Frattini* and *Elisabetta Lodigiani* are working on an empirical project to assess the effects of emigration on the price level in a major source country, namely Mexico.

Giorgio Barba Navaretti with *Davide Castellani*, *Tommaso Frattini* and *Angelica Salvi Del Pero* will continue studying the effect of immigration on total factor productivity as well as on labour productivity in a European cross-country perspective. They exploit the heterogeneity in immigrant inflows across regions within several European countries to identify the impact of immigration on productivity, which is theoretically ambiguous.

Several conferences will also be organised within this research area.

2.3 Firms and the International Market

2.3.1 Main findings

LdA fellows have worked extensively on internationalisation patterns at the firm level both in developing and developed economies.

The current global integration of real and financial markets makes a country's overall performance more reliant than in the past on its trade competitiveness and on its ability to operate on a global scale. The recent crisis has shown that heterogeneity in trade imbalances is a cause of macroeconomic instability. A deeper understanding of the determinants and the effects of a country's global involvement is called for.

The recent developments in the theory of international trade with heterogeneous firms suggest that it is necessary to move beyond the idea that sectoral specialisation is the only determinant of the export competitiveness of countries. Indeed empirical analysis, that was initially carried out in developing countries, suggests that export performance can vary enormously within sectors and that it is explained by factors like firms' size and efficiency. LdA has been at the forefront among European research institutes in exploring empirically in industrialised economies the relevance of firms' characteristics with respect to global activities and the determinants of their cross country variation. Research shows that standard factors, like efficiency and size, matter in easing the entry costs into international activities. But the 'internationalised firm' is an altogether different object than its less open, more domestic counterparts. Even controlling for size and productivity it uses different technologies, employs a different management structure, hires more skilled workers, and uses different sources of financing. From a policy perspective, the interesting finding is that policy should focus on favouring those characteristics that are conducive to internationalisation, this highlighting the centrality of structural reforms to facilitate the growth and development of companies throughout Europe, the increase of the human capital of the workforce, the removal of barriers to technology adoption and competition (Barba Navaretti et al., 2010).

The results of LdA research can be broadly grouped in four main areas: i) the relationship between internationalisation and performance both at the firm and at the industry/country level; ii) the relationship between firms' innovation, organisation, skill-employment composition and internationalisation strategies; iii) the role of the organisation, efficiency, structure and degree of globalisation of the financial sector with respect to firms' global activities; iv) the process of internationalisation in service industries.

Internationalisation and performance

Firms' characteristics, internationalisation and performance

In the last two decades the weight of distant markets (i.e., China, India) in the globalised world has increased dramatically and so has their role not only as suppliers of low-cost inputs for developed countries, but also as expanding markets, offering profitable business opportunities. It is then fundamental to understand what are the main drivers of firms' internationalisation, in

particular of firms' activities in more distant and difficult markets. At the same time, the factors behind countries' differences with respect to their international activities should be highlighted.

Thanks to the newly collected EU-EFIGE survey (see below, Section 2.3.2) of 15,000 manufacturing companies in seven EU countries which provides consistent cross-country data, it has been possible to investigate several aspects and modes of European firms' internationalisation process and the role of firms' characteristics as opposed to their location and countries' characteristics, by relying for the first time on fully comparable cross-country data. The key results of the research carried out on these new data so far at LdA are that there is in fact much within industry heterogeneity in explaining export and also FDI performance of European firms. Size, productivity, skill intensity of the workforce and the ability to innovate are all factors explaining within sector heterogeneity in firms' internationalisation performance in all countries. Export shares are indeed found to be very concentrated, with the top 5% of firms accounting for well above 80% of exports in most EU countries. Extensive margins, i.e. changes in the number of exporters, matter most in explaining market penetration, particularly to faraway extra EU destinations. Selection of firms becomes especially important in critical markets, i.e. in the case of internationalisation towards developing economies. The effects of the crisis have been extremely heterogeneous across firms and larger, more internationalised firms have shown less dramatic changes during the crisis. Firm's specific characteristics play a primary role in explaining firms' international performance, while country and sector specific characteristics play a secondary role. Country wide effects do matter, of course, but the characteristics of European exporters are remarkably similar across countries (Barba Navaretti et al., 2010).

Among firm's characteristics, size emerges as the more relevant, being positively associated with firms' sophistication and performance along several dimensions. Thus, a large part of cross-country differences in performance are explained by the industrial structure (i.e. firm size composition) (Cerisola et al., 2012). Given the high fixed costs of conducting international activities, larger firms are more likely to carry out a larger number of international activities, in a larger number of markets, located at larger distances.

Given the role played by size, a deeper understanding of the main potential determinants of a firm's growth is called for. Research at LdA has therefore developed along different lines in order to investigate what may potentially affect a firm's ability to grow.

A first line of research (Barba Navaretti, Castellani, Pieri, 2011, 2012) has analysed the relationship between a firm's age and growth, by focusing on two aspects: 1- the downsizing process, which many firms in each year start or continue to experience, and which in the last decade in Europe has been at least as likely as upsizing; 2- the existence of subjective drivers of growth (i.e., the existence of a growth attitude by some firms and not others) related with age. By using the merged data of Bureau Van Dijk's Amadeus with the EFIGE survey, for French, Italy and Spain, it emerges that older firms are less likely to grow fast, but they experience the same probability of shrinking a lot than younger counterparts. Secondly, several qualitative characteristics of the firm linked to its growth attitude, like the age of the CEO, the qualification of the labour-force and its degree of involvement in R&D activities, the innovation attitude of the firm are also significantly related to the process of growth. Overall, a mixture of "learning" and

willingness to growth characterises the process of growth of firms.

A second line of research has assessed the relative role of demand and productivity in determining firm growth by using INVIND data (collected by the Bank of Italy since 1984) on Italian manufacturing firms (Pozzi and Schivardi, 2012). Several dimensions of heterogeneity may matter for firm's growth and there is no reason to believe that demand factors are less important than productive efficiency in shaping a firm's success and its growth. In many sectors marketing and advertising budgets are larger than research and development ones. LdA research shows that heterogeneity in demand is at least as important for firm growth than productivity. Secondly, firms under-respond to shocks, suggesting the existence of adjustment frictions, the degree of under-response being much larger for productivity shocks. This implies the existence of frictions whose effects depend on the nature (i.e., demand or supply) of the shocks. Changing the scale of operation following a productivity shock may be more complicated than after a demand shock. The latter involves simply scaling up operations, moving along a given technology, the former, triggered by a shift in the technology, entails some reorganization of business operations, a different skill mix, different types of capital inputs. LdA results show that firms more constrained in reorganising the production flow are less responsive to productivity shocks but not to demand shocks. The same is true for family firms when compared to firms controlled by a financial institution or by a conglomerate.

In fact, LdA research shows that there are also within size class cross-country differences in firm's performance which are attributable to other firms' characteristics, not entirely captured by size. For given productivity and size these other features may provide independent explanatory power to understanding how firms succeed in foreign markets. Since productivity and size are second order outcomes of strategic choices such as governance, technology, composition of factors of production, research at LdA has deepened the investigation of the black box of firms' characteristics. LdA results so far highlight the role of firms' governance, showing that the ability to export to distant countries is related to firms' ownership and management features. Family ownership (86 per cent of European firms) does indeed lower firms' export propensity but the ownership effect is strictly related to the way in which management is organised. In fact, managers can still be independent, can be non-family-member professionals, the decision process can be decentralised even with family owners, managers with expertise in international business can be hired. LdA results, based on the EFIGE data, indicates that what actually matters is not family ownership *per se*, but the degree of involvement of the family in the management of the firm. It is worth noting that the differences between exporters to distant markets and other exporters are at least as large as the ones between exporters and non-exporters. Thus, not only do exporters constitute a peculiar group of firms, but firms entering emergent countries represent a still more peculiar sub-group (Barba Navaretti, Bugamelli, Cristadoro, Maggioni, 2012).

The effects of internationalisation at the industry and country level

As for the performance at the regional/country level, the analysis shows that in an integrated economic area, such as the EU, national boundaries tend to become more blurred and regions, more than countries, appear as a key unit of economic analysis and in particular the link between

internationalisation of regions and productivity seems to be a very important aspect of economic performance. LdA research suggests that off-shoring regions experiment higher productivity growth, although this positive effect fades down when the extent of off-shoring is too large. Conversely, incoming MNCs contribute to boost a region's productivity, but only when the number of investments is large enough. As for the type of activity carried out by MNCs abroad, the higher the extent of R&D off-shoring by EU MNCs the higher the regional productivity growth (Castellani and Pieri, 2011). The role of public expenditure composition between different technology intensive goods and the provision of public infrastructure turns also to be relevant in affecting countries' productivity growth at aggregate level, in particular when taking into account that public infrastructure provision affects the sectoral composition of an economy between tradable and non-tradable sectors (Felice, 2012).

International Activities, Innovation, Skill-Employment Composition and the Organisation of the Firm

The research developed at LdA in the last year is focused on the interplay between firms' organisational modes in the international markets and firms' innovation activities, on the one side, and firms' international activities and skill-employment composition, on the other side.

Several contributions belonging to the recent international trade literature emphasise the two-way relationship between firms' innovation and internationalisation strategies. More innovative firms are more likely to enter the international markets; firms choose to invest in developing new products and new techniques in order to enter the international markets and face foreign competition; firms improve their products and techniques after entering the international markets by learning through several channels.

A first stream of research carried out at LdA looks at the effects of importing and exporting activities on firms' innovation output.

Product level evidence for 25 EU countries over 1995-2007 shows that new imported inputs substantially boost the introduction of new domestic products (Crinò and Colantone, 2012). This effect is directly proportional to the quality of new imported inputs and inversely related to their price (conditional on quality). New products are characterised by higher prices and higher quality relative to existing goods, and such premia are larger the greater is the use of new imported inputs in production.

On the other side, foreign markets represent a source of innovation at the firm level by providing incentives to exporting firms to improve or diversify their products and, to a lesser extent, their processes (Bratti and Felice, 2012). In highly differentiated markets, firms compete not only on price, but also on product characteristics and quality. In these markets, informational barriers are high, and the direct interactions between buyers and users induced by firms' international activities are fundamental in conveying the flow of information required to innovate products and face the competition. Some further analysis carried out on EFIGE data in order to explore potential innovation pathways shows that vertical linkages in the international markets generate knowledge flows and innovation more than domestic linkages. LdA analysis has focussed in particular on the role of production to order (i.e., subcontracting) with respect to innovation. Production to order is widespread among European firms. EFIGE shows that 86 percent of

manufacturing firms produce to order, and about 77 percent produce for other firms (as opposite to producing for government, private consumer, traders). Among the latter, on average 82 percent of total turnover is produced to order. LdA results show that firms exporting under a production to order regime for foreign firms are indeed more likely to introduce product innovations than firms producing to order for domestic buyers. Moreover, new exporters are less likely to introduce product innovations than firms having already an established presence in foreign markets, thus the experience gained by firms in the foreign markets seems to be positively associated with their product innovativeness (Bratti and Felice, 2012). Despite the role of size emerges also among firms producing to order (larger firms are more likely to produce to order for a foreign buyer than for a domestic one), results show that there are organisational modes of both production and sales that may allow also SMEs to enter foreign markets and pursue innovation activities. Thus once again the ability of management plays a central role.

It also emerges from LdA analysis that tougher competition in export markets induces multiproduct firms to skew their export sales towards their best performing products this way endogenously increasing firms' productivity. A strong link emerges between destination markets characteristics and firms' product mix (Mayer, Melitz, Ottaviano, 2011).

A second stream of research in this area investigates the link between firms' international activities, importing and exporting, and both skill-employment composition and skill premia. In particular, evidence from transition countries shows that importing inputs induces skill upgrading; importing may lead firms to engage in skill-intensive activities, such as production of new goods, improvements in product quality and, to a lesser extent, R&D and technology adoption (Crinò, 2012, b). As for exporting activities, there is a wide evidence, confirmed by LdA results (Macis and Schivardi, 2012), that exporting firms pay higher wages. Previous studies show that this may be due to two different mechanisms: exporting firms might employ workers with higher skills (i.e., the "skill composition effect"); exporting activities generate rents that exporting firms share with employees in presence of labour market frictions, that is exporting firms pay higher wages than non-exporting firms for identical workers (i.e., "rent sharing" effect). Results of LdA analysis, carried out on Bank of Italy's INVIND survey of manufacturing firms, indicate that the export wage premium is due to both a "skill composition effect" and a "rent sharing" effect. Beyond that it emerges that the export wage premium is larger for workers with more export related experience.

International Activities and Finance

Firms' financial status has been recently highlighted by the literature as a determinant of the internationalisation process; it seems particularly relevant in the current global economic downturn. Firms are heterogeneous not only in their efficiency, but also in their financial status, this affecting firms' strategic choices. More complex strategies imply more elaborated financial needs. LdA researchers carried out some preliminary analysis on Italy, based on the EFIGE data, on the relationship between firms' financial structure and both firms' size and level of sophistication, the latter proxied by a set of indicators of firms' intangible assets endowment. In Italy, smaller firms are more heterogeneous in their financial structure than larger firms. Small-medium enterprises (firms below 50 employees) are more evenly distributed across the financial

indicators' quintiles, while larger firms are more concentrated in the "virtuous" quintiles. Overall, small-medium firms have a weaker financial structure. A higher share of smaller firms is undercapitalised, being more dependent on external finance, and showing, in particular, a higher share of short term debt and lower liquidity. They are less indebted with the bank system.

As for the relationship between firms' financial structure and firms' intangible asset endowment proxied by a set of firms' sophistication indicators, firms' "quality" is negatively associated to firms' leverage and, in particular, to the share of short term debt, while it is positively associated to firms' liquidity, and to the share of bank debt. Indeed, firm size and sector of activity are relevant drivers of both firms' quality and financial structure. Nevertheless, from our analysis it emerges a relationship between some of the indicators of a firm financial stability and the sophistication of their strategies, going beyond industry and size. This opens room to the opportunity of focusing on the role of the financial system in supporting firms' virtuous behaviour (Cerisola et al., 2012).

Internationalisation and Services

The recent empirical literature on the globalisation process has highlighted the increasing weight of both globalisation in service industries and off-shoring of service functions by manufacturing firms. Service internationalisation may have both different determinants and different effects compared to internationalisation of manufacturing activities. Service trade, either directly through movement of providers or through cross-border trade linked to FDI, carries the potential for strong economic impact in the EU, in other OECD countries, and also in developing countries. Research conducted at LdA, by using micro-level datasets from the Deutsche Bundesbank, on service export by firm, service category, destination country and mode of supply in order to examine the export decision of German commercial services show that firms characteristic (in particular, productivity) are important drivers of both the selection into the exporting and the choice of export channel. More productive firms are more likely to export and more likely to choose foreign affiliate sales; firms tend to export to high wage countries, higher wages fostering cross-border rather than affiliate sales. Distance to the foreign market discourages exports and especially cross-border sales, while a large foreign market raises the likelihood that a firm export there (Kelle et al, 2012).

A second line of research has investigated the characteristics of German manufacturing firms engaging in service trade activities. Manufacturing firms are found to account for a large share of cross-border service exports (25% in Germany). The types of service exported vary strongly across industries and export activities are concentrated on few large exporters; generally, firms export more likely to countries near-by with a large market size and high income level. In general, goods and services exports seem to be complementary activities (Kelle, 2012).

Another line of research has been investigating the relationship between service off-shoring in general, and off-shoring of R&D in particular, on employment, by using novel and comparable data for nine EU15 members over the last decade, on 20 industries. The results show that the effects are very small and, if anything, weakly positive, on any groups of workers; rather, the evidence suggests imported services to complement with domestic workers with higher skills. The analysis also reveals that service off-shoring contributes to making labour demand more

elastic, but the economic magnitude of the effect is found to be small also in this case (Crinò, 2012, a).

2.3.2 Projects

European Firms In a Global Economy: Internal Policies for External Competitiveness (EFIGE)

EFIGE is a four-year Collaborative Research Project funded by the 7th Framework Programme (Collaborative Programme) of the European Commission. The project started in November 2008. Work on the EFIGE project at LdA is coordinated by Giorgio Barba Navaretti, who is also part of the global coordinating team with Gianmarco Ottaviano and Thierry Mayer. The other partners are research institutions like Bruegel, Universidad Carlos III de Madrid, Centre d'Etudes Prospectives et d'Informations Internationales (CEPII), Centre for Economic Policy Research (CEPR), The Institute of Economics of Hungarian Academy of Sciences (IEHAS), Institute for Applied Economic Research (IAW), together with UniCredit Group and National Banks of the involved countries. The aim of the project is to look at the international competitiveness of European firms on the basis of comparative firm level surveys.

A major exercise conducted within this project is a very large cross-European firm level survey carried out in 7 EU countries and based on the same questionnaire. The survey provides a cross sectional data set combining information on the international activities and on other characteristics of the firm.

Comparing how similar sets of factors affect internationalisation choices in different countries will provide an opportunity to understand how different institutional and regulatory frameworks at the national level may enhance or hinder competitiveness at the firm level.

Building on the gathered data, the institutions involved contribute to the analysis of research and policy issues in several interrelated areas: size, productivity and internationalisation; firm organisation and internationalisation; the geographical scope of internationalisation; skills, tasks and internationalisation; innovation and internationalisation; financial constraints to internationalisation; internationalisation and the Euro.

In particular, the LdA team, besides contributing to the several research areas listed above, is responsible for the research output on the relationship between firm organisation and internationalisation. It has already contributed to the project with several works (see above) and with two reports: the Second EFIGE Policy Report on *The Global Operations of European Firms*, and the Italy Country Report on *Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms' Financial Structure*, the main results of which have been reported in Section 2.3.1.

Impact of Networks, Globalisation and their Interaction with EU Strategies (INGINEUS)

This Collaborative Research Project also funded by the 7th Framework Programme of the European Commission brings together researchers from European countries (Italy, Denmark, Germany, Estonia, Sweden, Norway and United Kingdom) and from some of the most important emerging economies in the world (notably Brazil, China, India, and South Africa), in order to look

at the internationalisation of European firms with a North-South perspective. The project started in January 2009 and the LdA team is coordinated by Davide Castellani. The research focuses particularly on the evolution of global production networks into global innovation networks and the North-South dimension of this process. In particular, it moves beyond traditional studies on global location of production activities to focus on the global location of innovation or knowledge intensive activities. Further research is required in order to single out the effect of the globalisation of knowledge both in the North and the South and the role of latecomer regions in the global economy.

LdA leads a research work package on “The global long-run impact of off-shoring of innovation for EU firms”, involving also researchers from FEEM (Italy) and SPRU (United Kingdom). This WP carries out empirical work which addresses various aspects of North-South Innovation Networks and their effects on the EU economy. To this end, LdA has constructed two different world based data sets at industry/province level, integrating information on firms’ investments by function, employment, and value added. The LdA team also provided new indicators of inward and outward investments in/from 250 NUTS 2 regions in the period 2003-2008, using the number of greenfield investment projects from a monitor of more than 60,000 cross-border international projects worldwide. This led to publications by Castellani and Pieri, investigating the effects of setting-up plants and R&D labs abroad on the productivity growth in EU regions.

Finally, LdA’s researchers have started developing a case study on the merger between Fiat and Chrysler, using it as a natural experiment affecting the geography of production and technology worldwide.

Globalisation, Investment and Services Trade (GIST)

This Marie Curie Initial Training Network funded by the 7th Framework Programme (People Programme) of the European Commission involves LdA jointly with CEPR, Stockholm University, Kepler University Linz and WIIW Vienna, CNRS-Paris, University College Dublin, University of Ljubljana and with other associated partners (Copenhagen Economics, Central Planning Bureau the Hague, the World Bank, the WTO, Columbia Law School). The project’s aim is to develop a network of early-stage and experienced researchers focused on the interactions between trade & FDI restrictions in services, national, regional, and multilateral regulation, and the continued integration of service markets on the consumer and producer sides. Work on the GIST project at LdA is coordinated by Paolo Garella.

At the end of March 2012, the early stage researcher Sophie Hatte (second year of Ph.D. at the Centre d’Économie de la Sorbonne) and the experienced researcher Makus Kelle (Ph.D. at the University of Kiel and specialised in internationalisation of services) finished their appointment at LdA. Within this project, LdA GIST team members Giovanni Facchini and Peri da Silva (together with Gerald Willmann) completed the paper on *The Customs Union issue: Why Do We Observe so Few of Them?* which is now forthcoming in the Journal of International Economics.

Competitiveness Research Network (CompNet)

LdA contributes to the ECB’s research network “Competitiveness Research Network” (CompNet) established at the end of 2011 and approved by The General Council of the European System of

Central Banks on March 2012. The network draws its participants from all ESCB national central banks, as well as from international organisations such as the OECD, the World Bank and the US International Trade Committee, with an interest in competitiveness issues. The network will analyse competitiveness with a broad-based and better grounded in contemporary trade theory approach, with the main aim of fostering interaction between micro and macro analysis and deeply investigate competitiveness determinants and outcome. The work is organised into three workstreams: 1) Aggregate measures of competitiveness; 2) Firm Level; 3) Global Value Chains. Lda is involved mainly in the workstream 2 (see Section 2.3.6. below).

2.3.3 Research output

Papers

Giorgio Barba Navaretti, Davide Castellani, and Fabio Pieri: *Le imprese che cambiano classe: l'Italia nel contesto Europeo*, in "Costruire il Futuro. PMI protagonista: sfide e strategie", Confindustria, 2011;

Giorgio Barba Navaretti, Davide Castellani, and Fabio Pieri: *The Role of Age in Shaping Firms' Size Dynamics: "learning" Effects or Willingness to Grow?*, EFIGE Working Paper no. 60, August 2012;

Giorgio Barba Navaretti, Matteo Bugamelli, Riccardo Cristadoro, and Daniela Maggioni: *Are Firms Exporting to China and India different from other Exporters?*, EFIGE Working Paper no. 44, May 2012;

Massimiliano Bratti and Giulia Felice (a): *Are Exporters More Likely to Introduce Product Innovations?*, Lda Working Paper no. 306, March 2011, forthcoming, *The World Economy*, 2012;

Massimiliano Bratti and Giulia Felice (b): *Buyer Supplier Relationship, Firms' Internationalization and Product Innovation*, EFIGE Working Paper no. 54, August 2012; Lda Working Paper no. 327, March 2012;

Davide Castellani and Fabio Pieri: *R&D Offshoring and the Productivity Growth of European Regions*, Working Papers in Applied Economics, WPAE-2011-20, Universitat de Valencia, 2011;

Rosario Crinò and Italo Colantone: *New Imported Inputs, New Domestic Products*, Lda Working Paper no. 312, September 2011;

Rosario Crinò (a): *Imported Inputs and Skill Upgrading*, EFIGE Working Paper no. 39, November 2011, LDA Working Paper no. 323, December 2011; forthcoming *Labour Economics*, 2012;

Rosario Crinò (b): *Service Offshoring and Labor Demand in Europe*, in Ashok Bardhan, Cynthia Kroll and Dwight Jaffee eds., "Oxford Handbook of Global Employment and Offshoring", Oxford University Press, 2012;

Giulia Felice: *Size and Composition of Public Investment, Structural Change and Growth*, revised

version 2012, mimeo;

Markus Kelle, Jörn Kleinert, Horst Raff, and Farid Toubal: *Cross-Border and Foreign-Affiliate Sales of Services: Evidence from German Micro-Data*, LdA Working Paper no. 335, July 2012;

Markus Kelle: *Crossing Industrial Borders: German Manufacturers as Services Exporters*, LdA Working Paper no. 329, March 2012;

Mario Macis and Fabiano Schivardi: *Exports and Wages: Rent Sharing, Workforce Composition or Returns to Skills?*, LdA Working Paper no. 333, July 2012;

Thierry Mayer, Marc J. Melitz, and Gianmarco I. P. Ottaviano: *Market Size, Competition and the Product Mix of Exporters*, LdA Working Paper no. 316, April 2011;

Andrea Pozzi and Fabiano Schivardi: *Demand or Productivity: What Determines Firms Growth?* EFIGE Working Paper no. 58, August 2012;

Giovanni Facchini, Peri da Silva, and Gerald Willmann: *The Customs Union issue: Why Do We Observe so Few of Them?* (2012), forthcoming, *Journal of International Economics*.

Case Studies and Policy Reports

Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos, and Daniela Maggioni, *The Global Operations of European Firms*, Bruegel Blueprint 12, 2011;

Carlo Altomonte, Giorgio Barba Navaretti, Filippo di Mauro, and Gianmarco Ottaviano: *Assessing Competitiveness: How Firm-Level Data Can Help*, Bruegel Policy Contribution, Issue 2011/16, November 2011;

Giorgio Barba Navaretti, Matteo Bugamelli, and Fabiano Schivardi: *Trade Responses in Europe: Is there anything we can infer from firm heterogeneity?*, in “ECB Recovery and Beyond: Lessons for Trade Adjustment and Competitiveness”, chapter 15 (pp. 51-162), European Central Bank, April 2011;

Silvia Cerisola, Elena D’Alfonso, Giulia Felice, Silvia Giannangeli, and Daniela Maggioni: *Italy Country Report. Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms’ Financial Structure*, EFIGE Country Report, Bruegel, February 2012.

2.3.4 Conferences and other events

In 2012, the LdA team in this area organised and participated in several conferences and workshops.

Fourth EFIGE Scientific Workshop and Policy Conference

The Fourth EFIGE Scientific Workshop and Policy Conference, held jointly with the European

Research Workshop in International Trade (ERWIT), was organised by CEPR, Bruegel, the Barcelona Graduate School of Economics (gse) and CREI and took place at the Universitat Pompeu Fabra (Barcelona) from May 31st to June 2th 2012.

The programme of the jointly held conference ran for three days. The event started with ERWIT sessions devoted to trade-related issues, and ended up with EFIGE sessions split into Policy Conference and Scientific Workshop, that focused on firm level studies and the future of micro data analysis as a support to informed fact-based policy action. The EFIGE Policy conference, held on June 1st, began with the opening presentation of the EFIGE project by the EFIGE Scientific Coordinator Gianmarco I. P. Ottaviano. Afterwards, Klaus Desmet (Carlos III University of Madrid and CEPR) explained the Fourth EFIGE Policy Report on “International Trade, Innovation, and the Firm Size Distribution. Insights and Policy Lessons for Europe”. These presentations were followed by a panel discussion on “‘Big Data’: The new frontier for fact-based policy making?”, with a keynote speech by Fabien Curto Millet (Senior Economist, Google), where panelists discussed the complementarities between conventional and unconventional data collection and analysis.

The EFIGE Scientific Workshop, held on June 2nd, began with presentations by Sergi Basco (Universidad Carlos III de Madrid) on heterogeneous trade costs and wage inequality and Jonathan Eaton (Pennsylvania State University) on international trade, linking the micro and the macro. Rosario Crinò (University of Brescia, LdA and IAE-CSIC) and Alessandro Sembenelli (Università degli studi di Torino and LdA) closed the workshop with the presentations respectively on “Productivity, Quality and Export Behavior” and “Multinationals, Competition and Productivity Spillovers through Worker Mobility”.

EFIGE Workshop, June 13th, ISPI, Milan

A workshop on “European Firms during the Crisis. How Internationalisation Can Help Europe’s Competitiveness” was organised on June 13th 2012 at the Istituto di Studi di Politica Internazionale (ISPI) in Milan. Carlo Altomonte introduced the workshop and Giorgio Barba Navaretti and Laszlo Halpern presented the Second and the Third EFIGE Policy Reports focusing on the effects of the global crisis on European Firms.

Fourth GIST Conference

Paolo Garella, Sophie Hatte and Markus Kelle attended the Fourth GIST Conference on “Globalization and Regulation in Services” which was organised by CEPR from June 20th to June 23rd 2012 at the University of Sassari. Markus Kelle presented the paper on “Crossing Industrial Borders: German Manufacturers as Services Exporters”.

2.3.5 Research team, research partners and funding institutions

Researchers who worked in the firms and international market area in 2012 are: Carlo Altomonte, Giorgio Barba Navaretti, Matteo Bugamelli, Massimiliano Bratti, Giacomo Calzolari, Davide Castellani, Silvia Cerisola, Rosario Crinò, Klaus Desmet, Paolo Epifani, Giulia Felice, Emanuele Forlani, Paolo Garella, Sophie Hatte, Daniel Horgos, Markus Kelle, Micol Levi, Daniela

Maggioni, Gian Marco Ottaviano, Giovanni Pica, Fabio Pieri, Alberto Pozzolo, Fabiano Schivardi, Alessandro Sembenelli, Peri da Silva, Heiwai Tang, Maria Teresa Trentinaglia.

Research partners for the firms and international market area include the University of Milan; Paris School of Economics; Fondation Nationale des Sciences Politiques (Sciences Po); Institute for Applied Economic Research (IAW); ICE; Csil; University of Turin; Bruegel; CEPR; Hungarian Academy of Sciences; University of Nottingham; Stockholm University; National Bank of Belgium; University of Oslo; Universidad Carlos III de Madrid; CEPR; Fondazione Eni Enrico Mattei; Centro de Desenvolvimento e Planeamento Regional; Graduate University of the Chinese Academy of Science; Copenhagen Business School; Institute for Baltic Studies; German Development Institute; Centre for Development Studies; International Institute of Information Technology; Norwegian Institute for Studies in Innovation, Research and Education; Human Sciences Research Council; University of Pretoria; University of Lund; University of Sussex; Organisation for Economic Co-operation and Development, Development Centre; Kepler University of Linz; WIIW Vienna; University College Dublin; Stockholm University; Centre National de la Recherche Scientifique; University of Ljubljana.

Funding institutions for the area are the European Commission, the Chamber of Commerce of Turin, the European Central Bank and the Bank of Italy.

2.3.6 Work programme for 2013

Competitiveness and sustainable growth. How firm-level data can help.

During 2012, as part of the “Competitiveness Research Network” (CompNet), mentioned in Section 2.3.2, LdA has been working on the relationship between firm level and country level competitiveness. In 2013, a second project will start along the same line of research, “Mapping European Competitiveness” (Mapcompete), a coordination and support action funded by the 7th Framework Programme, involving several European research institutions (Centre for Economic and Regional Studies of the Hungarian Academy of Sciences - CERS-HAS, Institute for Applied Economics - IAW, Fondation Nationale des Sciences Politiques - Sciences Po, Paris School of Economics - PSE, Bruegel).

In the past four years LdA has been involved in the EFIGE project (see Section 2.3.2). At the core of the EFIGE project is the very large cross-European firm level survey carried out in 7 EU countries and providing comparable information on firms’ international activities and on several other firms’ characteristics and strategies. The richness of the results emerging from the analysis carried out in particular, but not only, on the EFIGE firm level data, covering a large range of research questions and topics, has been summarized in Section 2.3.1.

The main message emerging from the research carried out on firm level data by the international network of researchers involved in the EFIGE project is that aggregate industrial performance depends strongly on firm-level factors, such as size, organisation, technological capacity and international activities. In general, what emerges is that a country’s performance strongly depends on firm level characteristics and its industrial composition in terms of firm distribution.

When dealing with European countries competitiveness, however, the policy debate in Europe

focuses on macro factors, such as current account imbalances or aggregate investment and saving behaviour, or aggregate labour costs. This approach results in focusing on a set of macro indicators (see, for instance, the Scoreboard for the Surveillance of Macroeconomic Imbalances prepared by the European Commission) in order to assess countries' stability and competitiveness.

As a results of the EFIGE research, we claim that assessing country competitiveness should result from the aggregation of firm-level information. Given the large heterogeneity of firms emerging from our analysis, with many "bad" firms performing below the mean and a certain number of particularly good firms, it is fundamental for policy purposes to consider not only the average outcomes, but also their distribution around the mean. Since the same averages synthesise very different distributions in the characteristics of the underlying populations.

Therefore, a natural follow up of the work carried out within the EFIGE project goes in the direction of providing definitions of competitiveness together with a number of firm level indicators which could be added to the set of macro indicators commonly used. To this aim, we will also attempt to support the case for better and more complete data collection at the firm level, in order not to leave the EFIGE experience an isolated event.

To do so we need to provide a scientifically founded assessment of data opportunities and requirements for the analysis of competitiveness in a comparative perspective across European countries. We will start by mapping datasets with a focus on what is needed to harmonize and match different data sources and improve indicators of competitiveness. As a first step, LdA researchers have already carried out an extensive work of mapping firm level data in several European countries; this work will be extended to industry and macro data. Furthermore, we will review recent advances in policy oriented theoretical and empirical economic research to guide the investigation of competitiveness indicators, to frame the data analysis conceptually and identify data requirements. Finally, we will discuss and define best practice benchmarks for data collection. Summing up, on the one side, we will assess indicators of competitiveness at different aggregation levels; on the other side, we will assess data availability, requirements and needs.

3 Publications

Centro Studi Luca d'Agliano Development Studies Working Papers

The Centro Studi d'Agliano publishes a series of working papers in Development Economics. Their publication is funded by the Bank of Italy. The Centro Studi Luca d'Agliano Development Studies Working Papers can be downloaded from the LdA website, www.dagliano.unimi.it, and are also available on the SSRN (Social Science Research Network) eLibrary. *Giovanni Facchini* is the editor of the series.

Since 1997, 141 of the manuscripts that have appeared in the Centro Studi Luca d'Agliano Development Working Papers series have been published, i.e. an average of 9.4 papers per year. Summary information on the research output of the institution is reported in Table 2.

Of these, 121 have appeared in refereed journals, while 20 have been published as chapters of edited volumes. To give an idea of the quality of the research output, in Table 2 we have reported information on the main outlets, and the number of articles which have been published in each journal.

To measure the impact of the different publications, we have used two well known rankings. The first one has been assembled by the Tinbergen Institute in the Netherlands, and assigns three possible grades to each journal. The top five, general interest journals (*American Economic Review*, *Econometrica*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Review of Economic Studies*) together with the *Journal of Finance*, have received a "AA" ranking. Top field journals and very good general interest journals appear under the "A" category, while second tier general interest journals and field journals appear in the "B" category. Overall, about 130 journals in economics, finance and business are ranked by the institute. The second ranking is the one proposed by Kalaitzidakis et al (2003)¹ in an article that appeared in the *Journal of the European Economic Association*. This study is based on a recursive impact factor methodology (see column 5, Table 1 page 1349). As shown by the table, the ranking proposed by the Tinbergen institute and the one by Kalaitzidakis et al (2003) are highly correlated.

Of the 121 papers which have appeared in refereed journals, 82 have been published in journals with rank B or above. While only 2 paper has been published in a top-five journal², 10 articles have appeared in leading general interest journals like the *Review of Economics and Statistics*, the *Journal of the European Economic Association* and the *European Economic Review*. 24 have been published in top field journals like the *Journal of Public Economics*, the *Journal of International Economics* and the *Journal of Development Economics*. This research output easily positions LdA as the leading research centre in Italy focusing on international trade and development economics, and as one of the leading centres in Europe specializing in this area.

Besides carrying out cutting edge academic research, LdA has been involved in the active dissemination of research output in the policy arena. Several papers have been published in

¹ Kalaitzidakis P., T. P. Mamuneas and T. Stengos (2003) "Rankings of Academic Journals and Institutions in Economics" *Journal of the European Economic Association* 1, 1346-1366.

² Marc Melitz and Gianmarco I.P. Ottaviano, *Review of Economic Studies*.

leading policy outlets like *Economic Policy*, the *World Bank Economic Review* and *World Development*.

Table 2: LdA publications in refereed outlets: 1997- today

Journal	Tinbergen Ranking	JEEA Ranking	Publications number
American Economic Review	AA	1	1
Review of Economic Studies	AA	8	1
Review of Economics and Statistics	A	13	4
European Economic Review	A	14	2
Economic Journal	A	18	1
Journal of Public Economics	A	19	3
Journal of Economic Literature	A	20	1
Journal of International Economics	A	30	15
World Bank Economic Review	A	37	2
Journal of Urban Economics	A	46	1
Journal of the European Economic Association	A		4
Economic Theory	B	16	1
Scandinavian Journal of Economics	B	27	1
Journal of Development Economics	B	39	6
Canadian Journal of Economics	B	42	4
International Journal of Industrial Organization	B	47	1
Journal of Law and Economics	B	49	1
Oxford Economic Papers	B	53	2
World Development	B	55	2
Journal of Population Economics	B	61	1
Applied Economics	B	64	2
Scottish Journal of Political Economy	B	65	1
Regional Science and Urban Economics	B	72	2
World Economy	B	74	5
Small Business Economy	B	75	1
Review of World Economics (Weltwirtschaftliches Archiv)	B	80	4
Economic History Review	B		1
Economic Policy	B		3
Journal of Regional Science	B		1
Labour Economics	B		7
Journal of Economic Growth	B		1
Open Economies Review		110	1
Food Policy		119	1
Other Refereed Journals			37
Other Miscellaneous			20
Total			141

List of LdA working papers published in 2012

347 – *On the Pro-Trade Effects of Immigrants*

Massimiliano Bratti, Luca de Benedictis, and Gianluca Santoni

346 – *The Political Economy of Trade and Migration: Evidence from the U.S. Congress*

Paola Conconi, Giovanni Facchini, Max F. Steinhardt, and Maurizio Zanardi

345 – *R&D Offshoring and the Productivity Growth of European Regions*

Davide Castellani and Fabio Pieri

344 – *Demand or Productivity: What Determines Firm Growth?*

Andrea Pozzi and Fabiano Schivardi

343 – *Migration-Induced Transfers of Norms. The Case of Femal Political Empowerment*

Elisabetta Lodigiani and Sara Salomone

342 – *International Politics and Import Diversification in the Second Wave of Globalization*

Sergey Mityakov, Heiwai Tang, and Kevin K. Tsui

341 – *The Deep-Pocket Effect of Internal Capital Markets*

Xavier Boutin, Giacinta Cestone, Chiara Fumagalli, Giovanni Pica, and Nicolas Serrano-Velarde

340 – *Quality Differentiation and Trade Intermediation*

Heiwai Tang and Yifan Zhang

339 – *Does International Migration Increase Child Labor?*

Anna De Paoli and Mariapia Mendola

338 – *Exporting under Financial Constraints: Margins, Switching Dynamics and prices*

Angelo Secchi, Federico Tamagni, and Chiara Tomasi

337 – *Learning from Neighbors' Export Activities: Evidence from Exporters' Survival*

Ana Fernandes and Heiwai Tang

336 – *Exchange Rate, External Orientation of Firms and Wage Adjustment*

Francesco Nucci and Alberto Franco Pozzolo

335 – *Cross-Border and Foreign-Affiliate Sales of Services: Evidence from German Micro-Data*

Markus Kelle, Jörn Kleinert, Horst Raff, and Farid Toubal

334 – *Intervention Efficiency, Incentive Symmetry, and Information*

Earl L. Grinols and Peri da Silva

333 – *Exports and Wages: Rent Sharing, Workforce Composition or Returns to Skills?*

Mario Macis and Fabiano Schivardi

332 – *Were Multinational Banks Taking Excessive Risks Before the Recent Financial Crisis?*

Mohamed Azzim Gulamhussen, Carlos Pinheiro, and Alberto Franco Pozzolo

331 – *South-South Migration and the Labor Market: Evidence from South Africa*

Giovanni Facchini, Anna Maria Mayda, Mariapia Mendola

330 – *Spending More is Spending Less: Policy Dilemmas on Irregular Migration*

Alessandra Casarico, Giovanni Facchini, and Tommaso Frattini

329 – *Crossing Industrial Borders: German Manufacturers as Services Exporters*

Markus Kelle

328 – *A Firm-Level Perspective on Migration*

Giulia Bettin, Alessia Lo Turco, and Daniela Maggioni

327 – *Buyer-Supplier Relationships, Internationalization and Product Innovation*

Massimiliano Bratti and Giulia Felice

Policy Reports

Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos, and Daniela Maggioni, *The Global Operations of European Firms*, Bruegel Blueprint 12, 2011;

Carlo Altomonte, Giorgio Barba Navaretti, Filippo di Mauro, and Gianmarco Ottaviano: *Assessing Competitiveness: How Firm-Level Data Can Help*, Bruegel Policy Contribution, Issue 2011/16, November 2011;

Giorgio Barba Navaretti, Matteo Bugamelli, and Fabiano Schivardi: *Trade Responses in Europe: Is there anything we can infer from firm heterogeneity?*, in “ECB Recovery and Beyond: Lessons for Trade Adjustment and Competitiveness”, Chapter 15 (pp. 51-162), European Central Bank, April 2011;

Silvia Cerisola, Elena D’Alfonso, Giulia Felice, Silvia Giannangeli, and Daniela Maggioni: *Italy Country Report. Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms’ Financial Structure*, 2011, forthcoming, Bruegel.

4 Training at LdA

Many different training activities are offered at LdA. Scholarships and prizes are provided for prospective graduate students; a summer school and a doctoral conference are organised annually to offer Ph.D. students intensive courses and a venue to present and discuss their work with senior researchers. Finally, pre and post-doctoral fellows are hired to work at LdA, actively contributing to its funded projects.

4.1 Scholarships and prizes

LdA devotes particular attention to training young students to acquire the background necessary for a professional career in development research, by providing them with financial assistance in the form of scholarships or by including them in research projects.

Scholarships

A yearly scholarship of 10.000 Euros, offered by Luca's family, is awarded through the Fondazione Luigi Einaudi in Turin to young Italian graduates who wish to advance their studies in development economics. From 2006, thanks to the generous support of one of Luca's close friends, the scholarship now covers two annuities.

The scholarships for 2012 was awarded to *Federico Tagliati* with a research project on "Schooling and Health Investments in Developing Countries" (University College London).

Table 3 provides a complete list of the scholarships awarded in the past.

Table 3. LdA scholarships

Year	Recipient	Research Project	Hosting institution	Present affiliation
2012	Federico Tagliati	Schooling and Health Investments in Developing Countries	University College London	University College London
2011	Paolo Falco	Occupational Choices and Income Generation in African Labour Markets	University of Oxford	University of Oxford, M.Phil student
2010	Marta Serena Marzi	The Multidimensional Measuring of Economic Development in Developing Countries	University of Oxford	University of Oxford, graduate student
2009	Antonio Miscio	Infrastructure Investment in Developing Countries: Bridging New Economic Geography and Political Economy	London School of Economics	Columbia University, Ph.D. student
2008	Lea Cassar	The Aid System under Asymmetric Information: Analysis and Policy Recommendation	University of Oxford	University of Zurich, Ph.D. student
2008	Lucia Rizzica	Brain Drain and Development	University College London	University College London, Ph.D. student
2007	Antonio Andreoni	Institutional Economic Analysis, Social Capital and Economics of Social Networks	University of Cambridge	University of Cambridge, Ph.D. student; inter UNIDO

2006	Federica Liberini	Infrastructural Gap and Fiscal Policy	University of Warwick	University of Warwick, Ph.D. student
2005	Laura Anselmi	Socio-economic causes of child labour	University of Oxford	Ministry of Health, Mozambique
2004	Giulia Pietrangeli	Theory of collective action in International Trade Negotiations	London School of Economics	European Commission
2003	Luciano Ciravegna	Automotive Sector Modernization in Developing Countries: Global and Regional Trends	University of Oxford	University of London
2001	Francesco Rampa	Technological Innovation and Partners of Trade: The Case of Developing Countries	University of Oxford	FAO Consultant & Associate at European Centre for Development Policy Management
2000	Mattia Romani	Poverty Dynamics and its Determinants in Cote d'Ivoire	University of Oxford	
1999	Diego Angemi	Child Labour and Technological Advances	University of Oxford	UN/Ministry of Finance, Malawi
1998	Ilaria Caetani	The Problems of Development in Rural Sub-Saharan Africa	London School of Economics	Asian Development Bank
1997	Andrea Finicelli	An Analysis of International Capital Markets	University of Oxford	Bank of Italy
1995	Renato Grelle	Investment Under Uncertainty and Irreversibility of Capital Adjustment Policies in Chile in the 1980s	University of Oxford	European Centre for Development Policy Management
1994	Sabina Di Addario	Estimating the Economic Costs of Conflict: An Examination of the Two-gap Estimation Model for the Case of Nicaragua	University of Oxford	Bank of Italy
1993	Gabriella Giacometti	Outward Oriented Developing Countries and Growth	University of Warwick	
1992	Paolo Craviolatti	The Impact of the Green Revolution in Sub-Saharan Africa	University of Oxford	
1990	Marina Moretti	The Behaviour of the Financial System under Hyperinflation and Structural Adjustment	University of Oxford	International Monetary Fund
1988	Francesco Daveri	Time Inconsistency and Trade Liberalization Policies in LDCs	University of Oxford	University of Parma
1987	Roberta Rabellotti	Problems Associated with the Transfer and the Development of Advanced Technologies in Developing Countries	University of Oxford	Università degli Studi del Piemonte Orientale "Amedeo Avogadro"
1986	Chiara Tufarelli	Foreign Debt and Investment Evaluation in Developing Countries	University of Cambridge	Studio Legale Ristuccia & Tufarelli
1985	Giorgio Barba Navaretti	Control Sharing Foreign Investments in Developing Countries	University of Oxford	University of Milan and LdA

Prizes

The Centro Studi's annual prizes are awarded through Churchill College, University of Cambridge, and St. Antony's College, University of Oxford, to students displaying "ability in their studies, particular interest in the problems of developing countries, humanity and altruism".

Prize-winners are listed by institution. A similar prize, assigned to a student from Sevenoaks School (Kent), was discontinued in 1994.

Cambridge (£. 500)

In 2012 two awards were assigned: one to Igor Lopes Rocha (Brazil) of Sidney Sussex College, Cambridge University for a research project on “Industrial Pattern and Economic Development: A Comparison between Latin America and Asia” and the other one to Kim Wagenaar (Netherlands) of Sidney Sussex College, Cambridge University for a research project on “Mission Drift in MFIs’ Outreach the Poor”.

Past prizes were assigned to: C.M. Bramall and X.H. Zhang (1986), S.V. De S. Gunaratne and L.Wang (1987), A. Basu, H. L. Khong and M. Marcel (1988), Luis A. V. Catao, Lucia Hammer and Sue Szabo (1989), He Dong, R. M. Rimmer and A. P. Woods (1990), Pingyao Lai, Xiao-Feng Liu and Asad Sayeed (1991), Giancarlo Spagnolo (1992), Anu Satyal (1993), Gangzhan Fu (1994), Samantha Gibson (1995), Reehana Rifat Raza (1996), Khwima Lawrence Nthara (1997), Grace P.C. Mugadza (1998), Martin Ruhs (1999), Sara Silvestri (2000), Rozana Salih (2001), Xutian Ma (2002), Yuantao Guo (2003), Dominic Rohner (2004), Hui Wang (2005), Carmen L. Lacambra Segura (2006), Nazia Habib-Mintz (2007) and Osvaldo Gonzalez (2008-2009), Manasa Patnam (2010), 2011 not assigned.

Oxford (£. 500)

The prize for 2012 was awarded to Rossa O’Keefe-O’Donovan (USA) of Balliol College for a research project on “An Analysis of Factors Contributing to Breakdown of Hand Powered Waterpumps in Tanzania”.

Past prizes were assigned to: J.R. Scott (1985), J. Hoddinot (1986), Solomon Soquar (1987), Jerome Booth (1988), Mamta Murthi (1989), Stephen Grant Devereux (1990), Nomaan Majid (1991), Lucia da Corta (1992), Roberto Tibana (1993), Riccardo Maggi (1994), Sabina Alkire (1995), Caterina Ruggeri Laderchi (1996), Nancy Collins (1997), Mark Wu (1998), Diego Angemi (1999), Sebastian Silva-Leander (2000), Maria Lugo and Jesse Kharbanda (2001), César Calvo (2002), (2003, not awarded), Raphael Espinoza (2004); Neha Kumra (2005), Sofya Krutikova (2006), Bet Caeyers (2007), Abhijeet Singh (2008) and Aidan Coville (2009), Miguel Sarzosa Castillo (2010), Rachel Cassidy (2011).

4.2 Post and pre doctoral fellows

Within the several funded projects in which it participates, LdA has undertaken an intense training activity. Since 2000, a number of experienced researchers, post-doctoral and doctoral fellows have been hired and actively contribute to its projects, for a total of 178 men/months (see Table 4).

Training has also taken place in the summer schools and doctoral conferences organised by LdA. 366 students have participated in LdA summer schools since 2003, with 114 of them coming from developing countries. The two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming from developing countries.

Table 4. LdA training activity – Funded projects

Name of Researcher	Type	Country of Origin	Man/ Month	Start Date	End Date
Globalisation, Investment and Services Trade (GIST)					
Markus Kelle	Experienced	Germany	9	01/07/2011	31/03/2012
Sophie Hatte	Early Stage	France	12	01/04/2011	31/03/2012
Daniel Horgos	Experienced	Germany	9	01/10/2009	30/06/2010
Transnationality of Migrants (TOM)					
Anna Maria Mayda	Experienced	Italy (US)	12	01/09/2007	31/08/2008
Juan Gallego	Early Stage	Colombia	16	01/05/2008	31/08/2009
Max Steinhardt	Early Stage	Germany	24	01/05/2008 01/02/2009	31/10/2008 31/07/2010
Raluca Prelipceanu	Early Stage	Romania	12	01/09/2008	31/08/2009
Trade preferences and the role of institutional quality in economic integration (TRARIQ)					
Miriam Manchin	Post-doc	Hungary	12	01/11/2007	31/10/2008
Trade, Industrialisation and Development (TID)					
Natalie Chen	Post-doc	UK	3	01/07/2006	30/09/2006
Klaus Desmet	Post-doc	Germany	3	01/07/2006	30/09/2006
Miriam Manchin	Post-doc	Hungary	12	15/09/2005	14/09/2006
Anne Celia Disdier	Post-doc	France	15	01/07/2004	31/10/2005
Foreign Direct Investment and the Multinational Corporation: New Theories and Evidence (TMR)					
Dieter Urban		Germany	33	01/06/1999	01/03/2002
Henrik Braconier		Sweden	3	01/09/2001	31/11/2001
George Siotis		Greece	3	26/06/2000	25/09/2000
Total	15 Researchers		178		

4.3 Summer Schools in International and Development Economics

A series of yearly Summer Schools was first established in 2003 by the Centro Studi Luca d'Agliano, jointly with Centre for Economic Policy Research (CEPR) and the Department of Economics of the Universities of Milan and Turin. The Schools aim at providing an intensive training course for Ph.D. students and young researchers interested in the major analytical and empirical approaches concerning the issue of international economics and development. They are open to 40 doctorate and post-doctorate students in economics and related disciplines from all countries, who are selected from a pool of 90-120 applicants by an international selection committee. 366 students have participated in LdA Summer Schools since 2003, with 114 of them coming from developing countries.

They are funded by the European Commission and they are also supported by the Compagnia di San Paolo. From 2003 to 2006, the Schools were organised within the activities of the Research Training Network on "Trade, Industrialisation and Development (TID)". From 2007 to 2010, they were organised as part of the Marie Curie Research Training Network on "Transnationality of Migrants (TOM)", and in 2011 within the Marie Curie Initial Training Network on "Globalisation, Investment and Services Trade (GIST)". This year, the summer school was jointly organised with the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University).

Table 5 provides a complete list of LdA Summer Schools past editions.

Table 5. LdA training activity – Summer schools

Title	Professor	Affiliation	Dates	Participants	
					from developing countries
Cities, Productivity and Migration					
	Gianmarco Ottaviano	London School of Economics, Bocconi University, CEPR, and LdA	27-30 June, 2012	29	7
	Diego Puga	Madrid Institute for Advanced Studies (IMDEA) and CEPR			
The Political Economy of Trade in Services					
	Kishore S. Gawande	Bush School of Government, Texas A&M University	18-21 Sept, 2011	35	11
	Emanuel Ornelas	London School of Economics and CEPR			
Spatial and temporal patterns in international migration. Temporary and return migration. Ghettos and ethnic enclaves					
	Christian Dustmann	University College London	5-8 Sept, 2010	30	7
	Jacob. L. Vigdor	Duke University			
Outsourcing and Migration					
	Giovanni Peri	University of California, Davis	30 Aug-2 Sept, 2009	39	14
	James E. Rauch	University of California, San Diego			

International Migration and the Sending Country

Gordon Hanson	University of California, San Diego and NBER	24-27 Aug,	43	12
Frédéric Docquier	Catholic University of Louvain and NFSR	2008		

International Migration and the Host Country

Barry Chiswick	University of Florence			
Massimo Livi Bacci	University of Illinois at Chicago	9-12 Sept,	39	12
Giovanni Facchini	University of Milano and LdA	2007		

Outsourcing and International Fragmentation of Production: Implications for Developing Countries

Kei-Mu Yi	Federal Reserve Bank of Philadelphia	11-14 June,	36	15
Giorgo Barba Navaretti	University of Milano and LdA	2006		

Trade, Innovation and Technology Diffusion: Implications for Developing Countries

Jonathan Eaton	New York University and NBER	4-8 Sept,	37	13
Francesco Caselli	London School of Economics, NBER and CEPR	2005		

The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries

Alan Winters	The World Bank and CEPR	5-8 Sept,	39	12
James Tybout	Pennsylvania State University and NBER	2004		

Political Economy of Trade Policy and Development: Theories and Institutions

Bernard Hoekman	The World Bank and CEPR	27-31 Aug,	39	11
Thierry Verdier	Paris-Jourdan Sciences Economiques and CEPR	2003		

Total**366****114**

4.4 Riccardo Faini Doctoral Conferences on Development Economics

The Riccardo Faini Doctoral Conferences were held with the aim of giving Ph.D. students working on Development Economics topics an opportunity to present their work, to discuss it with senior researchers and to meet colleagues. They intended to honour the memory of Riccardo Faini, who always strived to provide graduate students with opportunities to broaden their views by interacting among each other and engaging with more established international researchers.

In the two editions, 25 papers by doctoral candidates were selected out of a pool of more than 100 students, many from top US and EU universities. The two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming from developing countries.

Table 6. LdA training activity – Doctoral conferences

Title	Lecturer	Affiliation	Dates	Participants	
					from developing countries
Second Riccardo Faini Doctoral Conference					
	Dean Karlan	Yale University	7-9 Sept. 2008	30	7
First Riccardo Faini Doctoral Conference					
	Jaime de Melo	University of Geneva	13-15 Sept. 2007	32	5
Total				62	12

5 Luca d'Agliano Lectures in Development Economics

The Luca d'Agliano Lectures are organised each year also thanks to the generous support of the Compagnia di San Paolo of Turin. The aim of these Lectures, which have always been very successful, is to favour the diffusion of the ideas of some of the most important scholars in the field to a non specialised audience. They also represent an important opportunity for bringing together members of the Scientific Committee of the Centro Studi and many of its former scholars. Past editions of the Luca d'Agliano lectures were all conceived and introduced by Riccardo Faini. In 2007 the Fifth Lecture on "Does Outsourcing Change Everything?" by *Paul R. Krugman* (Nobel Prize in Economics, 2008) was, in his memory, opened by Jaime de Melo.

The Tenth Lecture on "State Effectiveness and Economic Development", by Timothy Besley (London School of Economics and Political Science) is scheduled for November 22th 2012 and it will explore the determinants of state effectiveness and its role in supporting economic development in three main dimensions: collective, productive and revenue raising. The collective refers to ability of the state to deliver core public goods and services to its citizens. The productive refers to building infrastructure and creating a market supporting environment. Revenue raising refers to building a tax system that allows the state to fulfil its spending ambitions. The lecture will argue that there are common determinants to these core dimensions of state effectiveness and that they complement each other; supporting one dimension tends to create incentives to improve others. State effectiveness through history has been enhanced by investing in state capacities with long-range benefits. Understanding why effective states are not universal requires an analysis of the political and institutional forces which shape government incentives.

Table 7. Luca d'Agliano Lectures in Development Economics

Title	Speaker	Affiliation	Date
Tenth Luca d'Agliano Lecture: "State Effectiveness and Economic Development"			
	Timothy Besley	London School of Economics and Political Science	22 November 2012
Ninth Luca d'Agliano Lecture: "The Role of Cultural Diversity in Growth and Development: What do Economists Have to Say about This?"			
	Thierry Verdier	Paris School of Economics	28 November 2011
Eighth Luca d'Agliano Lecture: "The Future of Aid"			
	Nemat (Minouche) Shafik	Permanent Secretary, Department for International Development	7 December 2010
Seventh Luca d'Agliano Lecture: "The Dollar in Doubt"			
	Barry Eichengreen	George C. Pardee and Helen N. Pardee Professor of Economics and Professor of Political Science, University of	4 December 2009
Sixth Luca d'Agliano Lecture: "Accelerating Economic Growth in Africa"			
	Anthony J. Venables	Professor, Oxford University; Director, Oxford Centre for the Analysis of Resource Rich Economies	17 October 2008
Fifth Luca d'Agliano Lecture: "Does outsourcing change everything?"			
	Paul R. Krugman	Professor of Economic and International Affairs, Woodrow Wilson School of Public and International Affairs, Princeton University, Nobel Prize in Economics, 2008	11 June 2007
Fourth Luca d'Agliano Lecture: "Employment and Development"			
	François Bourguignon	Chief Economist and Senior Vice President, World Bank; Professor of Economics, École des Hautes Études en Sciences	22 May 2006
Third Luca d'Agliano Lecture: "Globalization and Underdevelopment in the Pre-Modern Third World"			
	Jeffrey G. Williamson	Laird Belle Professor of Economics, Harvard University	31 March 2006
Second Luca d'Agliano Lecture: "Rethinking Economic Growth in Developing Countries"			
	Dani Rodrik	John F. Kennedy School of Government, Harvard University	8 October 2004
First Luca d'Agliano Lecture: "Globalisation and the Poor"			
	Pranab Bardhan	University of California, Berkeley	10 June 2003

6 List of conferences and seminars

The Centro Studi Luca d'Agliano organises its conferences and seminars with the aim of encouraging exchange amongst Italian researchers in development and international economics and of inviting distinguished international scholars. Several conferences and seminars have been organised in collaboration with other Italian and international institutions.

Since September 2011, LdA has been organising a new research seminar series on “Global Challenges” jointly with the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University) and the Laboratorio di Analisi Monetaria (Università Cattolica).

The complete list of conferences and seminars organised in 2012 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

22 November 2012, Fondazione Luigi Einaudi, Turin

Tenth Luca d'Agliano Lecture in Development Economics, “State Effectiveness and Economic Development” by Timothy Besley (London School of Economics and Political Science)

21 November 2012, University of Milan

Research Seminar Series on “Global Challenges”: *The Effect of Employment Protection on Workforce Composition and Worker Reallocation: Results from a Regression Discontinuity Design* by Stefano Scarpetta (OECD and IZA)

18 October 2012, University of Milan

Research Seminar Series on “Global Challenges”: *Migration, Cultural Diversity and Innovation: A European Perspective* by Cristina Cattaneo (Fondazione Eni Enrico Mattei)

27 September 2012, University of Milan

Research Seminar Series on “Global Challenges”: *Trade, Skill-Biased Technical Change and Wages in Mexican Manufacturing* by Mauro Caselli (School of Economics, University of New South Wales, Australia)

5 July 2012, Workshop on Migration, Bocconi University

Research Seminar Series on “Global Challenges”:

- *Estimating the Effect of Emigration from Poland on Polish Wages* by Tommaso Frattini (University of Milan and Centro Studi Luca d'Agliano)
- *Does International Migration Increase Child Labor?* by Mariapia Mendola (University of Milan Bicocca and Centro Studi Luca d'Agliano)
- *Mobility of Migrants and Optimal Immigration Policy* by Joachim Jarreau (University Paris 1 Panthéon-Sorbonne)

27-30 June 2012, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Eleventh Summer School: “Cities, Productivity and Migration”

Lecturers: Gianmarco Ottaviano, London School of Economics, Bocconi University, CEPR, and Centro Studi Luca d'Agliano and Diego Puga, Madrid Institute for Advanced Studies (IMDEA) and CEPR

20-23 June 2012, University of Sassari

Fourth GIST Conference

14 June 2012, University of Milan

Research Seminar Series on “Global Challenges”: *The Competitive Impact of Chinese Imports on European Firms’ Price-Cost Margins: An Empirical Assessment* by Marcella Nicolini (University of Pavia and FEEM)

13 June 2012, ISPI, Milan

EFIGE Workshop: “European Firms during the Crisis. How Internationalization Can Help Europe’s Competitiveness”

31 May – 2nd June 2012, Universidad Pompeu Fabra, Barcelona

ERWIT – EFIGE Scientific Workshop and Policy Conference

31 May 2012, Bocconi University

Research Seminar Series on “Global Challenges”: *Financial Constraints and Firms’ Innovation Activity* by Emanuele Forlani (Lessius University College, Antwerp and Centro Studi Luca d’Agliaio)

24 May 2012, Workshop on Migration, University of Milan

Research Seminar Series on “Global Challenges”:

- *Migration and the Welfare State: A Dynamic Political-Economy Theory* by Assaf Razin (Cornell University, Tel Aviv University, NBER, CEPR, CES-Ifo, IZA):
- *Do Cash transfers improve birth outcomes? Evidence from Matched Vital Statistics, Social Security and Program Data* by Marco Manacorda (Queen Mary University of London, CEP – London School of Economics, and CEPR):

3 May 2012, Bocconi University

Research Seminar Series on “Global Challenges”: *R&D and Credit Rationing in SMEs* by Maria Luisa Mancusi (Università Cattolica di Milano and Kites)

12-14 April 2012, Bocconi University

Research Seminar Series on “Global Challenges”: RIEF Conference

29 March 2012, Bocconi University

Research Seminar Series on “Global Challenges”: *Buyer Supplier Relationships, Exporting and Innovation* by Giulia Felice (Centro Studi Luca d’Agliaio)

8 March 2012, University of Milan

Research Seminar Series on “Global Challenges”: *International Fragmentation of Production and Trade Volatility: an Analysis for the European Countries* by Lucia Tajoli (Politecnico di Milano)

23 February 2012, Bocconi University

Research Seminar Series on “Global Challenges”: *Media Exposure and NGOs Activity: Crowding in or Crowding out?* by Sophie Hatte (Centro Studi Luca d’Agliaio)

9 February 2012, University of Milan

Research Seminar Series on “Global Challenges”: *Crossing Industrial Borders: German Manufacturers as Services Exporters* by Markus Kelle (Centro Studi Luca d’Agliaio)

26 January 2012, Workshop on Migration, Bocconi University

Research Seminar Series on “Global Challenges”:

- *Exposure to Foreign Cultural Goods and People’s Attitudes Towards Migration* by Laura Casi (University of Milan and Bocconi University)
- *Migration Induced-Transfer of Norms: the Case of Female Political Empowerment* by Elisabetta Lodigiani (University of Milan and Centro Studi Luca d’Agliano)

12 January 2012, University of Milan

Research Seminar Series on “Global Challenges”: *The Deep-Pocket Effect of Internal Capital Market: an Empirical Analysis* by Giovanni Pica (University of Salerno, Bocconi University and Centro Studi Luca d’Agliano)

7 Who's Who

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